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DATA LICENSING

Five Takeaways from the New York City Bar Association's Continuing Legal Education Program on Intellectual Property Licensing 101

Barry M. Benjamin, managing partner of the New York office and chair of Kilpatrick Townsend's Advertising and Marketing group, was honored to present at the New York City Bar Association's continuing legal education program, Intellectual Property Licensing 101. The session covered data licensing, and discussed two primary issues – how to protect data as an asset, and how to license data. The session was intended as a "basics" program, giving a broad, generalized overview of the legal issues involved with licensing data.

Takeaways from the program include:

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Data is a lucrative, monetizable asset. Data is an asset, isn't it? Of course it is (call me a contrarian, but this article will use the word "data" as singular, not plural; referring to "data" as plural is just plain pedantic and awkward). Data is valuable, and can and should be exploited, which is usually done through a data license. Data licenses are similar to other types of IP licenses, but data licenses often present unique issues that must be addressed, including data ownership and use, treatment of the original data set, data derived from the original data set, and usage data. Licensees and others in the license chain (e.g. a service vendor) may incorporate or compile data from another party such as a customer, or generate new or different data from that other party.

For any data license, define the data set. The central provisions of a data license define the parameters of the licensed data sets, including: the definition of the data set, the manner and frequency with which the data will be provided or updated, how current the data will be (e.g. whether the data will be provided on a "real-time" or close to "real-time" basis), the format in which the data will be delivered, and the mechanism of delivery. These terms may also specify whether the data sets are encrypted, how the data will be delivered to the licensee, and any specific hardware or software configuration requirements.

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Define the users who may have access. Just as with any IP license, a data license must define the permitted users of the licensed data, or perhaps a maximum number of users. If you are the licensee, you want to make sure that any restrictions are in line with how your company intends to access and use the data. If your company has affiliated entities or third party contractors that intend to use the data, the data license should permit affiliates and third party contractors to do so, and should not be limited to the named licensee only. Exclusivity of access to and use of the data may also be an issue. Most data licenses are non-exclusive, where the licensor can maximize the value of the licensed data by granting licenses to an unlimited number of potential licensees. However, in certain cases, the licensee's use may be exclusive, such that a sole license

of the licensed data by granting licenses to an unlimited number of potential licensees. However, in certain cases, the licensee's use may be exclusive, such that a sole license is appropriate. A sole license may be appropriate where a licensee is willing to pay enough to make it worthwhile for the licensor to grant, and only profit from, one license.

Define any purposes, collection, and use restrictions. The scope or purpose of the data use should be specifically circumscribed, as loosely or as widely as possible, within the intentions of the parties. If the licensor needs to ensure that the data is used for one limited purpose and that one purpose only, the terms of the license must be specific to that limitation. If the licensee wants unrestricted rights to use and potentially share the data, the terms must be specific to that wide usage. When collecting data, each side has competing interests. For example, where a vendor is processing and generating data from data received from a customer, in connection with the vendor's provision of services to the customer, the vendor may want to analyze and use the customer data to provide services to the customer. That would be fine for the customer. But, the vendor would also want to, if possible, process and aggregate the customer data for commercial exploitation by creating new products and services, using the processed data to enhance its internal operations, products or services, or licensing the data to third parties. The customer may not appreciate that. Meanwhile, the customer will want to maintain the confidentiality of its data, prohibit the use of its data for any purpose other than its (the customer's) benefit, and potentially obtain access to, and possible ownership of, any new data sets resulting from the vendor's processing of the customer's data. Furthermore, a data license should address how data is delivered and how data is maintained, as well as data security policies, practices and protocols, in particular where the data comprises personal or sensitive financial, technical or commercial information.

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Data Ownership. Licensors of data should ensure that a license agreement accurately addresses the licensor's ownership of or other rights in the data by obtaining acknowledgements of its rights in the data from the licensee. Where the licensor owns the data, it should seek a specific acknowledgment from the licensee that the data provided under the agreement is the licensor's sole and exclusive property. In addition, to achieve the maximum scope of protection for its data, the licensor should seek acknowledgements that the licensor has expended significant resources gathering, assembling and compiling the data, that the data is the valuable property of licensor, and the licensor reserves the right to obtain additional fees for the usage of additional data or for additional manners of usage. If applicable, the licensor may also wish to include and acknowledgment by the licensee that the data set is an original compilation protected by U.S. copyright laws and comprises and contains the trade secrets of the licensor.

In addition, just as with any IP license, the more traditional contract terms should be included in any data license agreement: term and termination, geographical restrictions, representations and warranties, liability limitations, and any relevant disclaimers about accuracy or quality of the licensed data. Protecting data sets requires specific steps to be taken, but if done right, monetizing data sets can be extremely lucrative, providing a valuable asset to sit alongside other valuable intellectual property assets. Given the fast-moving nature of the legal rights around data, it is crucial for lawyers to understand and keep up with the evolving nature of data licensing agreements. The above basics are, obviously, just the start.

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